



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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DATE: May 22, 2006

TO: Legislative Finance Committee

FROM: Kris Wilkinson, Associate Fiscal Analyst

RE: HB 667 Issues

The 2005 Legislature created a small business health insurance pool to help currently uninsured small businesses and their employees afford and access group health insurance. They provided for premium assistance and premium incentive payments as well as a tax credit program to help cover costs of group health insurance for eligible small employers. The program is funded with state special revenue funds generated through increased taxation on tobacco products under the Health and Medicaid Initiative. The small business health insurance pool and the health insurance tax credit program (Insure Montana) are appropriated separately, 60 percent of the total appropriation for the pool and the remaining 40 percent for the tax credit. Legislation allows for appropriation transfers between the programs.

The Board of Directors (the board) of Insure Montana approved the recommendation of Insure Montana staff to have the State Auditor transfer up to \$1,079,360 in appropriation authority from health insurance premium assistance pool to the health insurance tax credits in FY 2006.

### **Insure Montana Programs**

House Bill 667 authorized Insure Montana and provided premium assistance and tax credits for small businesses for employers with 2 to 9 employees. Currently employers with 5 employees or less are eligible to apply Insure Montana programs. Under the premium assistance program employers must pay half of the employee premiums, of this half Insure Montana pays 50 percent of the employer costs. Employees pay for the other half of their premiums and the additional cost of adding spouses or families to their coverage. Employees receive premium assistance through Insure Montana for a portion of their premiums based on their annual family income. Small businesses already providing insurance to employees may be certified to receive a refundable tax credit. Insure Montana reimburses the general fund for the lost revenues resulting from the tax credit.

### **Premium Assistance Program Enrollment**

The State Auditor's staff began enrolling participants in Insure Montana programs in late January following the awarding of the contract for insurance services. In an effort to ensure the new system wasn't flooded with applications, new businesses have been gradually added to the program. As of May 22:

- o 565 of the 723 businesses originally applying for enrollment packages received them
- o 178 businesses enrolled in the program, 470 employees and 642 family members insured
- o 322 businesses are deciding on coverage
- o 65 businesses have declined or are ineligible for coverage.

Currently, Insure Montana staff estimate they will expend \$493,895 of the \$1,573,255 appropriated for benefits in fiscal year 2006. The program is targeted to have 350 businesses enrolled by July 2006 and anticipates enrolling an additional 200 to 300 businesses by September. Staff believes they will fully expend the 2007 appropriation for the premium assistance program.

### **Gradually Enrolling Businesses Results in Unexpended Appropriations**

The legislature approved the Insure Montana program beginning July 1, 2005. In order to start operating the program the State Auditor's Office:

- o Hired staff
- o Worked with the board to establish the program
- o Developed enrollment criteria, forms and advertising to allow business to apply
- o Issued an RFP for insurers
- o Developed an operational plan, schedule of premium assistance and premium incentive payments
- o Established rules governing the program
- o Began enrolling participants

The State Auditor's Office completed the above by December 15, 2005 and began providing insurance to businesses as of January 1, 2006.

The \$1,573,255 appropriation was based on having 350 businesses enrolled in the program as of January 1, 2006. Insure Montana instead offered a staggered enrollment process. The enrollment of businesses in Insure Montana was gradual because staff

- o Encouraged businesses to seriously consider the appropriate decision for themselves and their employees during the 60 days they have to make a decision on enrollment following the quote on costs of the program
- o Were cognizant of not overwhelming the enrollment system in the beginning of the program
- o Were unsure of the total costs associated with enrolling each business in the program
- o Were concerned they might enroll more than a sustainable number of businesses in the program

As a result of staggering the enrollment the program is not projected to enroll 350 businesses until July 2006.

If the appropriation for premium assistance is not fully expended, statute allows the State Auditor's Office to transfer the unexpended amount to the tax credit program. If the appropriation is not spent on either of the programs, it reverts to the state special revenue fund.

**Remaining Appropriation Transferred to Tax Credit Program**

The board approved staff's recommendation to transfer of the remaining appropriation authority up to \$1,079,360 to the tax credit program. Originally, the tax credit program was to be paid for a 6-month period. The additional appropriation would be used to increase the tax credit amount to a full year tax credit. Expending the appropriations in this manner will not limit or reduce benefits to eligible businesses in either program in FY 2007.